

Housing and Community Development Corporation of Hawaii 677 Queen Street, Suite 300 • Honolulu, Hawaii 96813-9631 Phone: (808) 587-0597 • www.hcdch.hawaii.gov



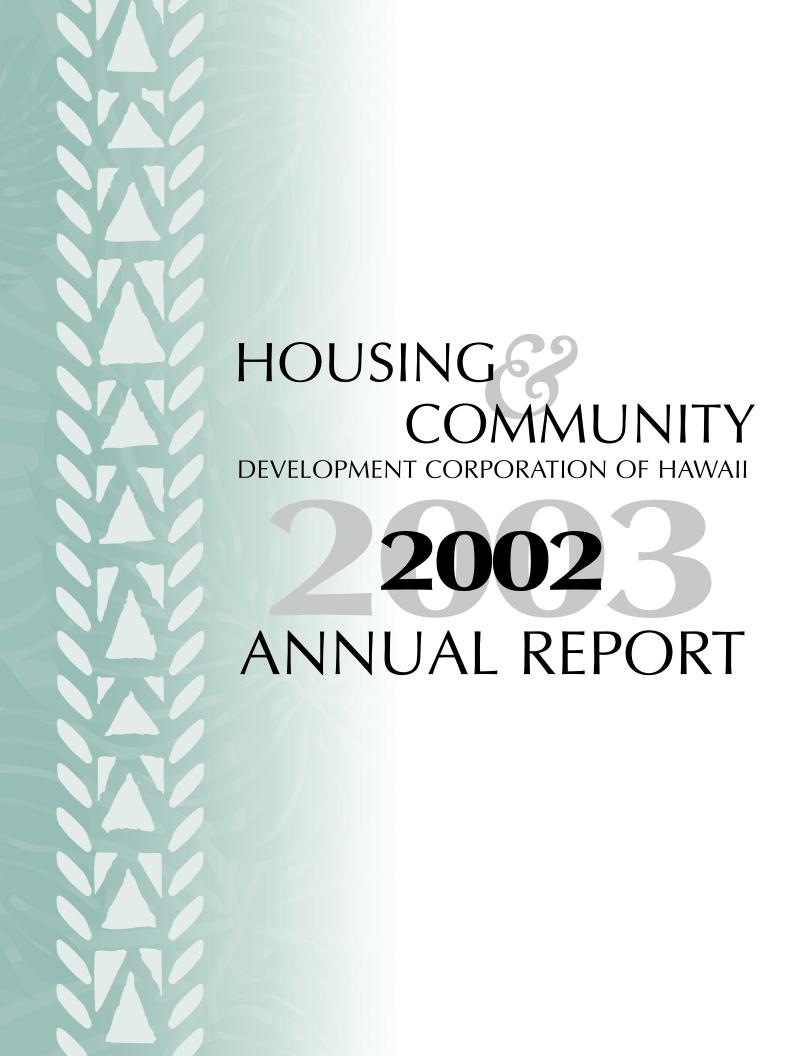


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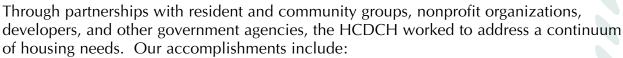
LETTER TO THE GOVERNOR

The Honorable Linda Lingle Governor State of Hawaii

Dear Governor Lingle:

It is with great pleasure that we present the Housing and Community Development Corporation of Hawaii's (HCDCH) Annual Report for the 2002-2003 Fiscal Year. This report describes

the Corporation's activities and accomplishments in carrying out its mission to serve as a catalyst to provide Hawaii's residents with affordable housing and shelter opportunities in a balanced and supportive environment.



- Assisting nearly 12,100 unduplicated homeless persons;
- Managing affordable rental housing units for nearly 6,800 low-income families;
- Helping nearly 3,000 low-income families rent affordable housing in the communities of their choice;
- Working with resident groups to strengthen their public housing and surrounding communities;
- Awarding approximately \$63,250,000 in tax credits and low-interest loans to facilitate the development of 442 affordable rental housing units for Hawaii's lower income households; and
- Expanding homeownership opportunities through completion of the 132-unit Kapolei Kai in the Villages of Kapolei and mortgage financing assistance.

The HCDCH continues to work closely with the U.S. Department of Housing and Urban Development to improve the management of public housing programs. We have focused on instituting management practices to improve accountability and restore the public's trust in our agency.

Respectfully yours,

Charles A. Sted Chairman

HOUSING AND COMMUNITY DEVELOPMENT CORPORATION OF HAWAII BOARD OF DIRECTORS



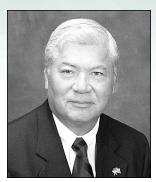
Charles A. Sted Chair (Oahu)



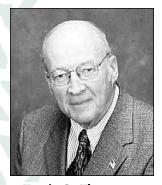
Charles King Vice-Chair (Kauai)



V. Taiaopo Tuimalealiifano Secretary (At-Large, Resident)



Francis L. Jung, Esq. (Hawaii)



Travis O. Thompson (Maui)



Betty Lou Larson (Rental Housing Trust Fund Advisory Commission)



Lillian Koller (Ex-Officio member, Director, Dept. of Human Services)



Theodroe E. Liu (Ex-Officio member, Director, Dept. of Business, Economic Development and Tourism)



Stephanie Aveiro (Ex-Officio member, Director, Office of the Governor)

A nine-member Board of Directors representing a cross section of public and private interests governs the HCDCH. The six public members are appointed by the Governor and service staggered four years terms. Members represent all islands and contribute a wide range of housing, business and community expertise. Members meet monthly to oversee operations of the Corporation and to provide professional guidance concerning business and policy matters.

HELPING THE HOMELESS

The HCDCH helps homeless individuals increase their stability in the health, housing and social areas and enables them to obtain and retain permanent housing, as well as maintain economic independence and self-sufficiency over the long-term. During FY 2003, the HCDCH contracted with 25 nonprofit agencies to provide emergency and transitional housing and to deliver health and social services. These agencies assisted a total of 12,091 unduplicated homeless persons.

The HCDCH's homeless programs are funded primarily through state appropriations and federal grants. Resources received during fiscal year 2003 include:

- \$4,800,000 state appropriation for stipend, outreach and grant programs;
- An additional \$150,000 appropriation for homeless assistance pursuant to Act 215, SLH 2003;
- \$175,000 in federal Emergency Shelter Grants; and
- \$160,000 in federal Housing Opportunities for Persons with AIDS grants.

During the year, the HCDCH also applied for \$1,382,608 in U.S. Department of Housing and Urban Development (HUD) Supportive Housing Program (SHP) grants. If successful, the HCDCH will serve as pass-through of SHP funds to assist the following homeless projects:

• Na Hale O Wainee, a 72-unit homeless shelter located in Lahaina, Maui. This will be the first homeless shelter on the west side of Maui and will provide living units and programs for 40 families and approximately 60 individuals. The Maui Economic Concerns of the Community is the sub-recipient of a \$400,000 SHP construction grant. The Dedication and grand opening of the shelter is scheduled for December 2003.

- The Transitions Project, an abuse shelter located in Wailuku, Maui. Women Helping Women, the sub-recipient of a \$232,608 SHP renewal grant, will provide homeless individuals and families with college tuition, employment training, security deposits, childcare, medical and dental services, case management and therapy.
- The Maui Kokua Housing and Services
 Project, 12-unit apartment complex on North
 Market Street in Wailuku, Maui. Mental
 Health Kokua, the sub-recipient of a
 \$350,000 SHP acquisition grant, will accommodate services and programs in the continuum of care identified for homeless adults suffering from serious mental illness.
 Services will include outreach through the PATH program, crisis intervention and stabilization, case management and residential placement.
- Kalakaua Place, a 34-unit transitional shelter located in Hilo, Hawaii. East Hawaii Coalition, the sub-recipient of a \$400,000 SHP acquisition grant, will be able to assist 34 families and approximately 30 individuals. Kalakaua Place is scheduled to open in January 2004.

HELPING THE HOMELESS

The HCDCH launched its first edition of Homeless in Paradise, which provides useful program related information, as well as other information that may be of value to those who work with the homeless. The quarterly newsletter is distributed by e-mail to various agencies statewide.

A statewide Homeless Management Information System (HMIS), a web-based system which can be accessed via the Internet, was initiated. The HMIS will provide client tracking; outcome measures and statistical information on client service utilization need; and demographics for both state and federally-funded homeless programs. It replaces the existing statewide homeless database, which is a stand-alone system that only tracks the homeless in transitional and emergency shelters. The HMIS complies with the HUD's new

requirements. The HCDCH plans to bring all federal, state and county homeless programs into the HMIS by July 2004 and will continue to encourage privately funded entities that serve the homeless to also enter data.

The State Homeless Policy Academy joined the presidential initiative to end chronic homelessness in ten years. Nationally, those who are chronically homeless comprise about 10% of the homeless population, yet they consume 50% of the resources for the homeless. The HCDCH facilitated the completion of a strategic plan for the State Homeless Policy Academy based on the "Housing First" strategy, which has had high rates of success nationally.



PROVIDING AND IMPROVING PUBLIC HOUSING

Federally-assisted and state-assisted public housing developments provide homes for more than 14,000 residents. The HCDCH manages more than 6,200 units of federal and state public housing in 81 developments on the islands of Hawaii, Kauai, Maui, Molokai and Oahu. Both private companies and state employees provide management services.



Federally-assisted public housing comprises 86% of the rental units for families, the elderly and single persons with physical and/or mental disabilities. Federal housing developments operate on rental revenues and an annual operating subsidy from HUD. Residents pay either a flat rent or an income-based rent based on 30% of adjusted annual income or 10% of annual income, whichever is greater. To encourage and support residents who are newly employed or returning to the workforce, the HCDCH disregards the first year of earned income.

State-assisted public housing developments comprise the remaining 14% of the HCDCH's public housing inventory. State public housing

relies solely on rental revenues for operations. Residents pay rent of 30% of adjusted annual income or the minimum rent established by HCDCH, whichever is greater.

In 2002-03, the HCDCH commenced six major renovation projects using federal funds for modernization and health and safety improvements. These include the following:

- Kalihi Valley Homes, Phase 2, Kalihi, Oahu: First occupied in 1953, Kalihi Valley Homes consisted of 45 low-rise structures totaling 400 units. The community master-plan calls for the phased demolition of 11 buildings to make way for more open and recreational space and renovation of the 34 remaining buildings. Phase 1, which entailed renovating 45 units, was completed in November 2002. In Phase 2, three buildings will be demolished and seven buildings consisting of 63 units will be renovated.
- Maili I, Waianae, Oahu: Constructed in 1969, all 20 single-family dwelling units will be renovated at an estimated cost of \$2.8 million. Completion of this project is expected in early 2004.
- Salt Lake Apartments, Honolulu, Oahu: This eight-story mid-rise building consists of 28 one-bedroom units for the elderly. Exterior structural problems, which include concrete spalling at window overhands and exterior floor landings, will be addressed at an estimated cost of \$10.8 million. Completion is scheduled for late 2003.

PROVIDING AND IMPROVING PUBLIC HOUSING

- Waimaha Sunflower, Phases 2 and 3,
 Waianae, Oahu: Seven three-story walk-up structures totaling 81 units and two community buildings will be renovated. The estimated construction cost for Phases 2 and 3 are \$3.2 million and \$5.5 million, respectively.
- Lanakila Homes, Phase IIa, Hilo, Hawaii:
 This phase involves the demolition of 14 deteriorated duplexes and the construction of seven four-plexes consisting of 28 units. The estimated construction cost is \$5.8 million.

 Completion is expected in mid-2004.

For state-assisted public housing, the HCDCH used state Capital Improvement Project (CIP) funds to make physical improvements including the following:

- Palolo Homes I & II, Palolo, Oahu: Removal of lead-based paint, primarily in the doors and windows of the 305 units, and refurbishment of 50 units to serve as temporary "hotel" units while tenants are relocated during renovations. The estimated cost is \$4.8 million. Improvements were completed in April 2003.
- Kahale Mua, Molokai: Installation of exterior lighting, repair of damaged doors and windows, and exterior painting for the 32 duplex units at a cost of \$102,388. Improvements were completed in November 2002.
- Kawailehua, Koloa, Kauai: Repair of damaged stairwells and building siding, and exterior painting of 26 apartment units at a cost of \$87,048. Improvements were completed in January 2003.

- Lokahi, Hilo, Hawaii: Installation of gutters and downspouts, concrete restoration, repair of damaged building trim and doors, and exterior painting of 30 duplex units at a cost of \$160,084. Improvements were completed in March 2003.
- Hauiki Homes, Kalihi, Oahu: Installation of gutters and downspouts, as well as repair of damaged wall at the Community Center, and installation of a new fence on one side of the development. The \$36,939 project was completed in June 2003.

Along with capital improvements, the HCDCH also enforces lease violations in order to enhance the overall quality of life in public housing communities. In fiscal year 2003, the HCDCH conducted 139 regular eviction hearings and 157 appeal hearings, resulting in 70 physical evictions. In future years, the eviction process will be streamlined due to the passage of Act 227, Session Laws of Hawaii 2003. The Act streamlines the eviction process by eliminating the agency appeal hearing. The tenant is still entitled to appeal to the Circuit Court under Chapter 91, Hawaii Revised Statutes. During the upcoming fiscal year, the HCDCH will work to amend its Hawaii Administrative Rules for evictions.

PROVIDING RENTAL ASSISTANCE



HCDCH assists families and elderly persons to obtain housing through rent subsidy programs such as the Federal Housing Choice Voucher and the State Rent Supplement Program. These programs help families or individuals find housing in communities of their choice by supplementing their monthly rent payments.

Through the federal Housing Choice Voucher Program, the HCDCH administered rental vouchers for 3,058 families. Those receiving assistance in the Housing Choice Voucher Program pay 10% of their gross family income or 30% of their adjusted income for rent, whichever is higher. The HCDCH pays the balance of the approved rent based on HUD rental limits directly to the landlord. The vouchers are portable throughout the United States. The HCDCH also administered Section 8 rental subsidy contracts for 64 privately-owned, multifamily properties consisting of 3,082 units.

In 1967, the State of Hawaii began its own Rent Supplement Program. The program was originally designed for families with incomes over the limit for public housing that were paying more rent than they can afford in the private market. The program now targets very low-income families. Rent supplement participants pay a minimum of 20% of their adjusted income for rent; the HCDCH pays the balance, up to \$160 per month. Currently, the HCDCH assists more than 600 people through the Rent Supplement Program.

The HCDCH also provided rental assistance to teachers in rural areas. Under the Teacher Housing Program, the HCDCH manages 54 dwelling units for teachers and other school-level certified personnel in rural areas. This program was created in 1967 to facilitate the operations of lower education programs by providing safe and decent housing in areas where there were inadequate private housing within reasonable commuting distance to assigned schools. Teacher cottages are located on the Big Island of Hawaii in Kapaau, Honokaa, Ka'u, Pahala and Kamuela; in Lanai City, Lanai; Kaunakakai, Molokai; and Hana, Maui.

STRENGTHENING FAMILIES AND COMMUNITIES

To foster economic self-sufficiency and promote healthy families and strong communities, the HCDCH collaborates with federal, state, and county agencies and nonprofit groups to link public housing residents to appropriate services.

Family Self-Sufficiency

During FY 2003, the HCDCH initiated the Family Self-Sufficiency (FSS) Program to assist Section 8 recipients and public housing residents to move toward self-sufficiency. The five-year, voluntary program is designed to enhance a participant's employability for promotion or a better job and build a savings account that may be used toward the purchase of a home. To date, 149 Section 8 recipients and 17 families residing in federal public housing have enrolled in the FSS program. Of the Section 8 recipients, 45% have increased their income.



In March 2002, the HCDCH also contracted Goodwill Industries of Hawaii to provide self-sufficiency training for residents in the areas of nursing, computer repair, and human services. The two-year training program combines self-sufficiency training with occupational skills training by provid-

ing pre-employment training with counseling, job search, job development and placement.

Educational Opportunities

The HCDCH continues to work with the Adult Community Schools on Oahu to provide Competency Based High School Diploma Program (CBASE) classes for adult residents to obtain a high school certificate. During the year, over 30 public housing residents were enrolled and successfully completed their classes.

Transportation Support

Through the Family Investment Center, the HCDCH continued to provide monthly bus passes for residents participating in training, educational activities or who are volunteering for community service activities.

Technology Center

Through the Kalihi Valley Community Technology Center, the HCDCH collaborates with the University of Hawaii to provide basic computer and internet education to the Kalihi Valley community. Adults and youth from the community learn topics such as: Windows operating system, Internet, word processing, spreadsheets, databases, graphics, and desktop publishing.

During the year, the HCDCH applied for a \$250,000 HUD grant to establish a neighborhood network technology center at Kuhio Park Terrace. If funded, the center will provide residents with valuable educational and vocational training to compete in the current job market. The notice of the Neighborhood Networks grant award is anticipated to be made in October 2003.

STRENGTHENING FAMILIES AND COMMUNITIES

Elderly Services

The HCDCH received a three-year, \$300,000 grant to provide critical support services for elderly and disabled residents at Kalakaua, Makua Alii, and Paoakalani on Oahu. The HCDCH is working with the Honolulu Gerontology Program of Child and Family Service to use the HUD Resident Opportunities and Self-Sufficiency Program (ROSS) grant to provide case management, group activities and translation services to enable elderly and disabled individuals to lead independent lives. The HCDCH also works with the Department of Human Services to offer programs that delay institutionalization for elderly clients. The Pacific Gateway Center also provides translation and interpretation services.

The HCDCH submitted an elderly ROSS application for FY 2004 to provide case management and congregate services for elderly and disabled residents at Pumehana and Punchbowl Homes on Oahu. The notice of grant award is anticipated to be made by December 2003.

Youth Programs

The Department of Justice, Office of Juvenile Justice and Delinquency Program awarded funding to the HCDCH to expand the Parents and Children Together (PACT) Community Teen Program at the new Community Resource Center located at Kuhio Park Terrace/Kuhio Homes. As of June 1, 2003, the program enrolled 34 students in its martial arts class and expanded its summer programs to include study hall, character education classes, leadership development and summer job programs. The Department of Justice has also

approved a second and final year of funding to the HCDCH for the Kuhio Park Terrace/Kuhio Homes youth program.

Community Resource Center

The dedication of the Ka Hale O Kameha'ikana Community Resource Center marked the opening of windows of opportunities for residents of Kuhio Park Terrace, Kuhio Homes and the greater Kalihi community to move toward self-sufficiency. The Community Resource Center includes supportive services, child care, job training and economic development initiatives. Senator Daniel K. Inouye saw the need for and conceptualized the Community Pavilion and Resource Center as a celebration of diverse cultures in an atmosphere of service to the economically challenged. It is largely through his efforts that HUD and the Department of Labor provided the funding to construct the facility.



"The Resource Center represents the hopes and dreams of a brighter future for residents living in a highly concentrated urban area," said Lieutenant Governor Duke Aiona at the dedication ceremony.

SAFETY AND CRIME PREVENTION

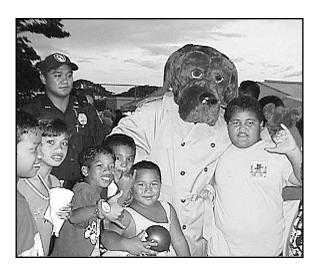
Public Housing Drug Elimination Program

During the fiscal year, the HCDCH targeted drug intervention and prevention services at the following public housing communities utilizing the 2001-02 PHDEP grant: Puuwai Momi and Waipahu I & II (Oahu); Hui O Hanamaulu, Kapaa, and Kekaha Ha'aheo (Kauai); and Makani Kai Hale and Kahekili Terrace (Maui). The HCDCH contracted with Adult Friends for Youth, Circles of Light, Communities In Schools of Hawaii - YMCA, Hui Malama Learning Center, Maui Economic Opportunity, and Maui Youth and Family Services to provide these services. The HCDCH also worked with the Honolulu Police Department and the Kauai Police Department to provide additional law enforcement services and community building activities.

Community Action Seminar

In February 2003, the HCDCH sponsored over 150 public housing residents, community members and law enforcement members who formed teams to attend the Community Action Seminar sponsored by the Department of the Attorney General and Department of Education's Safe and **Drug-Free Schools and Communities** Program. Entitled "Making a Difference for Communities in Hawaii," the seminar takes the community teams through the process of developing and implementing an action plan to create safer communities. This year's seminar focused on strengthening the commitment of community members to take action against underage drinking and/or drug related issues.

In May 2003, the community teams attended the Community Action Seminar Follow-Up workshop. This one-day event offered participants the opportunity to share their success and challenges in developing and implementing their action created in February. Participants were also provided team building techniques such as managing and facilitating effective meetings, motivational tools and maintaining the momentum of the team.



National Night Out

In cooperation with the Honolulu Police Department and the Weed & Seed program, the HCDCH participated in the National Association of Town Watch's National Night Out held on August 6, 2002 at Waipahu High School. As part of the national event, members of voluntary resident patrols joined forces with other community members to send the message to criminals that the community is taking a stand against crime. Participating resident patrols represented Wahiawa Terrace, Wilikina Homes, Kauhale Nani, Kaahumanu Homes, Kuhio Park Terrace, Kuhio Homes, Kalihi Valley Homes, Mayor Wright Homes, Nanakuli Homes and Waimaha-Sunflower. Over 200 attendees enjoyed a night of information, camaraderie and entertainment.

SAFETY AND CRIME PREVENTION

Youth Crime Watch of America

Working with the Youth Crime Watch of America, the HCDCH sponsored three Training of the Trainers workshops for residents representing Kailua-Kona, Kalakaua, Kalihi, Windward O'ahu, Waianae, Wahiawa and Aiea during the fiscal year. Over 65 adults and 115 youths ranging from 10 to 17 years of age, received crime watch training.

The goals of the youth patrol, which are similar to the adult patrols, are aimed at improving the awareness and reporting of suspicious activities on public housing properties; providing for positive activities that create opportunities for community attachment and recognition; building positive values, citizenship, and self-esteem; and building on the youth's desire to do well in school, to be respected, and to succeed in life. Youth crime watch programs

also extend to the community and schools and include components which address youth patrols; anonymous and safe crime reporting; crime, violence, and drug prevention education; mentoring; conflict resolution; mediation; peer and cross age teaching; and bus safety.

Neighborhood Watch and Voluntary Tenant Patrols

The HCDCH continues to work with neighborhood watch programs in 15 sites and voluntary tenant patrols in 13 public housing sites. These programs are an integral part of the HCDCH's efforts to reduce crime in and around public housing. The watch and patrol programs receive ongoing support and training from the HCDCH staff and the local police departments, with the HCDCH providing equipment and uniforms to all trained voluntary tenant patrols.

RESIDENT LEADERSHIP

Resident Advisory Board

Section 511 of the federal Quality Housing and Work Responsibility Act of 1998 required public housing agencies to establish a Resident Advisory Board whose membership adequately reflects and represents the residents assisted by the Public Housing Agency (PHA). The purpose of the Resident Advisory Board is to assist and make recommendations regarding the development of the HCDCH's Five Year and Annual PHA Plan. During the fiscal year, the HCDCH met with members of the Resident Advisory Board to prepare the PHA Plan.

Resident Associations

As of June 30, 2003, 35 federal and four state public housing communities have formed duly-elected resident associations and have received official recognition by the HCDCH Board of Directors.



FACILITATING THE DEVELOPMENT OF AFFORDABLE HOUSING

The Low-Income Housing Tax Credit Program provides financing for private developers and nonprofit agencies to construct or rehabilitate affordable rental units. The HCDCH awards federal and state tax credits which may be used to provide a dollar-for-dollar reduction in income tax liability for 10 years or syndicated to generate substantial project equity. During FY 2003, the HCDCH awarded \$59.8 million in annual federal and state tax credits for the development of 442 affordable rental units on Hawaii, Kauai, Maui and Oahu.



Since 1988, the HCDCH has allocated approximately \$348 million in tax credits to provide 4,216 affordable rental units.

The **Rental Housing Trust Fund** provides gap equity low-interest loans to qualified owners and developers to construct affordable rental housing. This fiscal year, the HCDCH awarded \$3.4 million in trust funds for the development of the 64-unit Palehua Terrace, Phase 2 and the 62-unit Kinau Vista senior rental on Oahu. Construction commenced on two senior rentals -- the 53-unit Artesian Vista and 31unit Kaluanui, as well as Wilder Vista, a 54-unit family rental. Rehabilitation work also commenced on the 305-unit Palolo Homes. To date, the Rental Housing Trust Fund has awarded over \$54 million to assist in the development of 2,270 affordable rental units.

The **Rental Assistance Program** (RAP) provides qualified owners of rental developments with project-based rent subsidies for units that are affordable to families who earn 80% less than the area median income. During the fiscal year, a total of 1,438 families in 17 developments were assisted under the program. RAP also provides developers with low-interest rate construction loans. To date, the HCDCH has provided approximately \$38.6 million to facilitate the development of 785 new rental units.

The Hula Mae Multi-Family Revenue Bond Program provides interim and permanent financing at below-market interest rates through the sale of tax-exempt revenue bonds. The program has strong developer interest due to the ability to secure low-income housing tax credits in conjunction with the Hula Mae multi-family bond financing. To date, the HCDCH has provided \$74.7 million in financing to assist in the development or rehabilitation of four rental projects totaling 417 units.

To date, the HCDCH has utilized the **Rental Housing System** (RHS) and the **State of Hawaii Affordable Rental Housing Program** (SHARP) to develop seven rental projects consisting of 1,363 units. The RHS and SHARP are financially secured by the rental housing projects that have been acquired or constructed, then owned by the HCDCH. The tax-exempt revenue bonds are payable from the net revenues of the entire system.

FACILITATING THE DEVELOPMENT OF AFFORDABLE HOUSING

In FY 2003, the HCDCH received \$3,008,000 in federal funding under the **HOME Investment Partnerships** (HOME) Program. The funds were allocated to the counties of Hawaii, Kauai and Maui to finance a wide range of housing activities for low-income households. (The City and County of Honolulu receives it own allocation of HOME funds from HUD.) Since the creation of the HOME Program in 1990, the HCDCH has received \$33,008,000 and passed the funds through to the neighbor island counties to address their respective housing needs. During fiscal year 2003, HOME funds assisted the following projects and programs:

- The Hawaii Island Community
 Development Corporation (HICDC), a
 private nonprofit, will leverage an additional \$152,400 (for a total of
 \$2,250,034) in HOME funds to develop
 the 32-unit Kamuela Senior Rental in
 Kamuela, Hawaii. The HICDC will also
 utilize \$750,000 in HOME funds to assist
 eight families earning up to 80% of the
 area median income to build their own
 homes in Waimea, Hawaii.
- The Kauai Housing Development Corporation, a private nonprofit, will leverage an additional \$752,000 (for a total of \$1,502,000) in HOME funds to develop 40 rental units for very lowincome families in Kalepa Village, Phase 2 in Hanamaulu, Kauai.
- Aloha House Inc., in partnership with the County of Maui, will utilize \$100,000 in HOME funds to develop two rental units for persons with special needs in Kihei, Maui.

- The County of Maui will also leverage \$552,000 in HOME funds to develop the 40-unit Central Maui Senior Housing project (39 HOME assisted units) in Kahului, Maui.
- Lokahi Pacific, a private nonprofit, will utilize an additional \$100,000 to assist approximately seven first-time homebuyers with down payment loans. A total of \$1,392,550 in HOME funds has been used to assist first-time homebuyers with low-interest mortgages or down-payment loans.

The Villages of Kapolei is a master planned community on the Ewa plain of Oahu. The HCDCH is facilitating the development of dwelling units through the provision of streamlined processing of land use and zoning applications, developable land, and below-market rate interim construction financing. To date, approximately 2,850 dwelling units have been completed in the Villages of Kapolei. However, the Makakilo Sewer Line that services the Kapolei area is at capacity and the City and County of Honolulu will not allow further development until a new sewer line is constructed. During the fiscal year, the HCDCH joined area developers in negotiations with the city to design, construct, dedicate and fund a new Kapolei Interceptor Sewer Line in return for reservation of sewer transmission capacity.

LAND PROGRAMS - LAND REFORM

The Land Reform Act of 1967 was enacted to encourage widespread ownership of fee simple lands among Hawaii's people. The Act enables lessees of single family homes to purchase the leased fee interest in their houselots by petitioning the state to facilitate a lease-to-fee conversion though its use of eminent domain powers. Since inception of the Land Reform Program, the HCDCH has assisted over 14,600 lessees

to acquire the leased fee interest in their residential houselots. During the fiscal year, the HCDCH continued to provide assistance and information on the lease to fee conversion process, as well as promoted negotiated settlements to reduce conversion costs.

LAND PROGRAMS LEASE RENT RENEGOTIATIONS

Chapter 519, Hawaii Revised Statutes, provides the framework within which renegotiation of ground lease rents for one- or two-family residential leasehold lots and cooperative housing corporations can be fairly arbitrated and ensures that increases do not exceed the ceiling prescribed by

law. The law applies when lessees and lessors are unable to agree on the amount of the new lease rent upon expiration of the fixed term on the lease. In this fiscal year, the HCDCH continued to administer the arbitration for six single family residential lots on Oahu.

HOUSING-RELATED LEGISLATION PASSED IN 2003

During the year, the Hawaii State Legislature passed a number of housingrelated bills and resolutions that affect the HCDCH. The legislation is summarized below:

Act 29, Relating to Residential Leaseholds (H.B. 1453, H.D. 1).

Amends Chapter 516, Hawaii Revised Statutes to require that residential lots be zoned for residential use.

Act 36, Relating to the Housing and Community Development Corporation of Hawaii (H.B. 78, H.D. 1).

Authorizes the HCDCH to establish and maintain federal funds for federal housing programs outside of the State Treasury.

Act 92, Relating to the Housing and Community Development Corporation of Hawaii (S.B. 1286, S.D. 2, H.D. 2, C.D. 1). Transfers the HCDCH from the Department of Business, Economic Development, and Tourism to the Department of Human Services for administrative purposes effective July 1, 2003.

Act 178, Relating to State Funds (H.B. 1152, H.D. 1, S.D. 1, C.D. 2). Transfers approximately \$23.7 million from various housing revolving funds to the General Fund to help balance the state budget. This Act repealed the Homes Revolving Fund and transferred approximately \$4.8 million to the General Fund; transferred \$15 million from the Dwelling Unit Revolving Fund, \$400,000 from the Teachers Housing Revolving Fund, \$3 million from the Housing Finance Revolving Fund, and \$11,566 from the Waialua

loan/subsidy account to the General Fund.

Act 215, Relating to State Funds (S.B. 1305, S.D. 1, H.D. 1, C.D. 1). Appropriates \$150,000 from the Emergency and Budget Reserve Fund for homeless assistance programs for FY 2003-2004.



S.C.R. 96, Supporting the Establishment of the Hawaii Homeownership Center. Supports and encourages the development of the Hawaii HomeOwnership Center.

S.R. 19, Requesting the Housing and Community Development Corporation of Hawaii to Investigate and Quantify Economic Differences between the Working Poor and Families on Public Assistance in Federal Low Income Housing.

S.R. 50, S.D. 1, Requesting a Report on the State's Action Plan to Address Chronic Homelessness in Hawaii.

State of Hawaii Housing and Community Development Corporation of Hawaii STATEMENT OF NET ASSETS June 30, 2003

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash (notes A7 and C)	\$12,179,072	\$150,404,276	\$162,583,348
Investments (notes A8 and D)	2,450,000	6,729,878	9,179,878
Receivables Mortgage loans (note E)		4,348,513	4,348,513
Notes and loans (note E)	_	4,340,313	4,340,313
Accrued interest	1,469	5,529,114	5,530,583
Tenant receivables, less allowance for	.,	3,323,	3,330,303
doubtful receivables of \$5,038,828	_	1,548,869	1,548,869
Other	756,072	3,086,239	3,842,311
	757,541	14,512,735	15,270,276
Internal balances	1,727,000	(1,727,000)	_
Due from State of Hawaii	_	1,919	1,919
Due from HUD Inventories (note A9)	442,908	7,771,697	8,214,605
Developments in progress and dwelling units	_	95,757,544	95,757,544
Materials and supplies	_	722,505	722,505
Net investment in direct financing lease (note F)	_	438,232	438,232
Prepaid expenses and other assets	1,423,946	361,635	1,785,581
Deposits held in trust	1,123,310	97,830	97,830
Deferred bond discount and issuance costs	_	298,616	298,616
Total current assets	18,980,467	275,369,867	294,350,334
Assets held by trustees under revenue bond programs			
Cash	_	17,814,723	17,814,723
Investments (notes A8, D, G and K)	_	721,937,436	721,937,436
		739,752,159	739,752,159
Investments	_	12,757,834	12,757,834
Mortgage loans, net of current portion (note E)	_	69,001,260	69,001,260
Notes and loans	_	5,702,512	5,702,512
Other receivables	_	773,405	773,405
Restricted deposits and funded reserves	_	7,070,287	7,070,287
Net investment in financing lease, net of current portion	_	17,301,276	17,301,276
Deferred bond issuance costs (note A12)	_	5,668,544	5,668,544
Capital assets, less accumulated depreciation (notes A5, H and L)	37,563,258	379,967,630	417,530,888
TOTAL ASSETS	\$56,543,725	\$1,513,364,774	\$1,569,908,499

State of Hawaii Housing and Community Development Corporation of Hawaii STATEMENT OF NET ASSETS June 30, 2003

	Governmental Activities	Business-type Activities	Total
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$1,012,662	\$5,866,183	\$6,878,845
Accrued expenses			
Interest (notes I and J)	_	18,851,375	18,851,375
Other	181,082	2,199,953	2,381,035
Internal balances	1,658,721	(1,658,721)	_
Due to State of Hawaii, including			
Office of Hawaiian Affairs (note M)	_	5,598,604	5,598,604
Due to HUD	1,894,106	2,079	1,896,185
Security deposits	_	2,174,598	2,174,598
Note payable (note I)	_	37,867	37,867
Mortgage payable (note I)	_	106,893	106,893
Revenue bonds payable, less deferred			
refunding cost (notes J and K)	_	12,296,690	12,296,690
Deferred income	4	517,990	517,994
Deferred commitment fees	_	610,848	610,848
Deferred gain on sale of units and land	_	261,276	261,276
Estimated future costs of land sold		38,625,142	38,625,142
Total current liabilities	4,746,575	85,490,777	90,237,352
Deferred commitment fees, net of current portion		5,141,707	5,141,707
Arbitrage rebate payable (note J)	_	6,299,108	6,299,108
Note payable, net of current portion (note I)	_	4,088,334	4,088,334
Mortgage payable, net of current portion (note I)	_	6,452,666	6,452,666
Revenue bonds payable, less deferred refunding	_	0,432,000	0,432,000
costs, net of current portion (notes J and K)	_	768,020,644	768,020,644
Others	250,019	1,456,663	1,706,682
Outers	230,013	1,430,003	1,7 00,002
Commitments and contingencies (notes L, M, N, O and P)	_	_	
Communents and contingences (notes £, m, m, o and r)			
Net assets			
Invested in capital assets, net of related debt	37,563,258	242,017,286	279,580,544
Restricted by legislation and contractual agreements	37,303,230	746,854,963	746,854,963
Unrestricted	13,983,873	(352,457,374)	(338,473,501)
Total net assets	51,547,131	636,414,875	687,962,006
TOTAL LIABILITIES AND NET ASSETS	\$56,543,72 5	\$1,513,364,774	\$1,569,908,499

State of Hawaii
Housing and Community Development Corporation of Hawaii
STATEMENT OF ACTIVITIES
Year ended June 30, 2003

		ā	Program Revenues		Net (expense) r	Net (expense) revenue & changes in net assets	es in net assets
	Expenses	Charges for services	grants and contributions	grants and contributions	Governmental activities	Business-type activities	Total
Functions/Programs Governmental activities Homeless service and assistance program	\$5,475,497	-\$	\$519,851	\$	\$(4,955,646)	\$	\$(4,955,646)
Rental housing and assistance program	49,230,128	I	46,285,251	1	(2,944,877)	I	(2,944,877)
Total governmental activities	54,705,625	I	46,805,102	I	(7,900,523)	I	(7,900,523)
Business-type activities Rental assistance program Housing development program Multi-family mortgage loan programs Single-family mortgage loan program Rental housing program Others	39,337,650 2,216,667 3,086,599 8,110,372 22,239,509 2,928,623	15,619,254 5,978,847 4,537,557 26,150,826 18,248,889 2,546,248	11,582,398 2,468,550 5,461,786 35,656,105 879,536 166,244	24,141,939	1 1 1 1 1 1	12,005,941 6,230,730 6,912,744 23,696,559 3,111,084 216,131)	12,005,94 6,230,730 6,912,744 23,696,559 (3,111,084) (216,131)
Total business-type activities	107,919,420	73,081,621	56,214,619	24,141,939	1	45,518,759	45,518,759
Total government	\$162,625,045	\$73,081,621	\$103,019,721	\$24,141,939	(7,900,523)	45,518,759	37,618,236
State allotted appropriations, net of lapses Transfers					10,730,153 (238,466)	(25,477,823)	10,730,153 (25,716,289)
Total general revenues and transfers					10,491,687	(25,477,823)	(14,986,136)
Change in net assets					2,591,164	20,040,936	22,632,100
Net assets at July 1, 2002					48,955,967	616,373,939	665,329,906
Net assets at June 30, 2003					\$51,547,131	\$636,414,875	\$687,962,006

The accompanying notes are an integral part of this statement.

State of Hawaii Housing and Community Development Corporation of Hawaii STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS June 30, 2003

	Private Purpose Trusts
ASSETS Cash Accrued interest	10,757,246
TOTAL ASSETS	\$10,757,246
LIABILITIES AND NET ASSETS Liabilities	
Accounts payable	\$1,532
Total liabilities	1,532
Net assets Held in trust	10,755,714
TOTAL LIABILITIES AND NET ASSETS	\$10,757,246

State of Hawaii Housing and Community Development Corporation of Hawaii STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS Year ended June 30, 2003

	Private Purpose Trusts
Additions State allotted appropriations Interest	\$24,500,000 7,099
Total additions	24,507,099
Deductions Capital outlays	19,006,182
Total deductions	19,006,182
CHANGE IN NET ASSETS	5,500,917
Net assets at July 1, 2002	5,254,797
Net assets at June 30, 2003	\$10,755,714

YEARS OF SERVICE AWARDS

The following employees received years of service awards during the fiscal year 2002-03.

10 Years of Service

Jose Agosto, Applications and Rent Subsidy Unit Leonell Domingo, Development Section Cosmedine Esmena, Planning and Evaluation Office Marie Onata, Oahu Management Unit II Paul Pasion, Central Maintenance Services Yolanda Tominaga, Office of the Executive Director Eric Uchihara, Contract Administration Services Jamison Waiolama, Central Maintenance Services Dana Yoshimura, Compliance Office

20 Years of Service

Dexter Ching, Applications and Rent Subsidy Unit Michael Isobe, Applications and Rent Subsidy Unit Wanda Kutaka, Loan Servicing Section Judy Miyazaki, Central Files Wayne Nakamoto, Construction Management Section Janice Takahashi, Planning and Evaluation Office

30 Years of Service

William Kamaunu, Oahu Management Unit III